



# Are you a shoe store or a doctor's office

Rob Brown, PhD, CFA

Julex Capital Advisory Board Member, Website [www.robbrownonline.com](http://www.robbrownonline.com)



40 Grove Street, Suite 140, Wellesley, MA 02482

Phone 781-489-5398

Email [info@julexcapital.com](mailto:info@julexcapital.com)

Web [www.julexcapital.com](http://www.julexcapital.com)

***“The more you focus on the value of your product or service, the less important the price becomes”***

Brian Tracy

**Doctor's office**  
**Serving a life-long need**



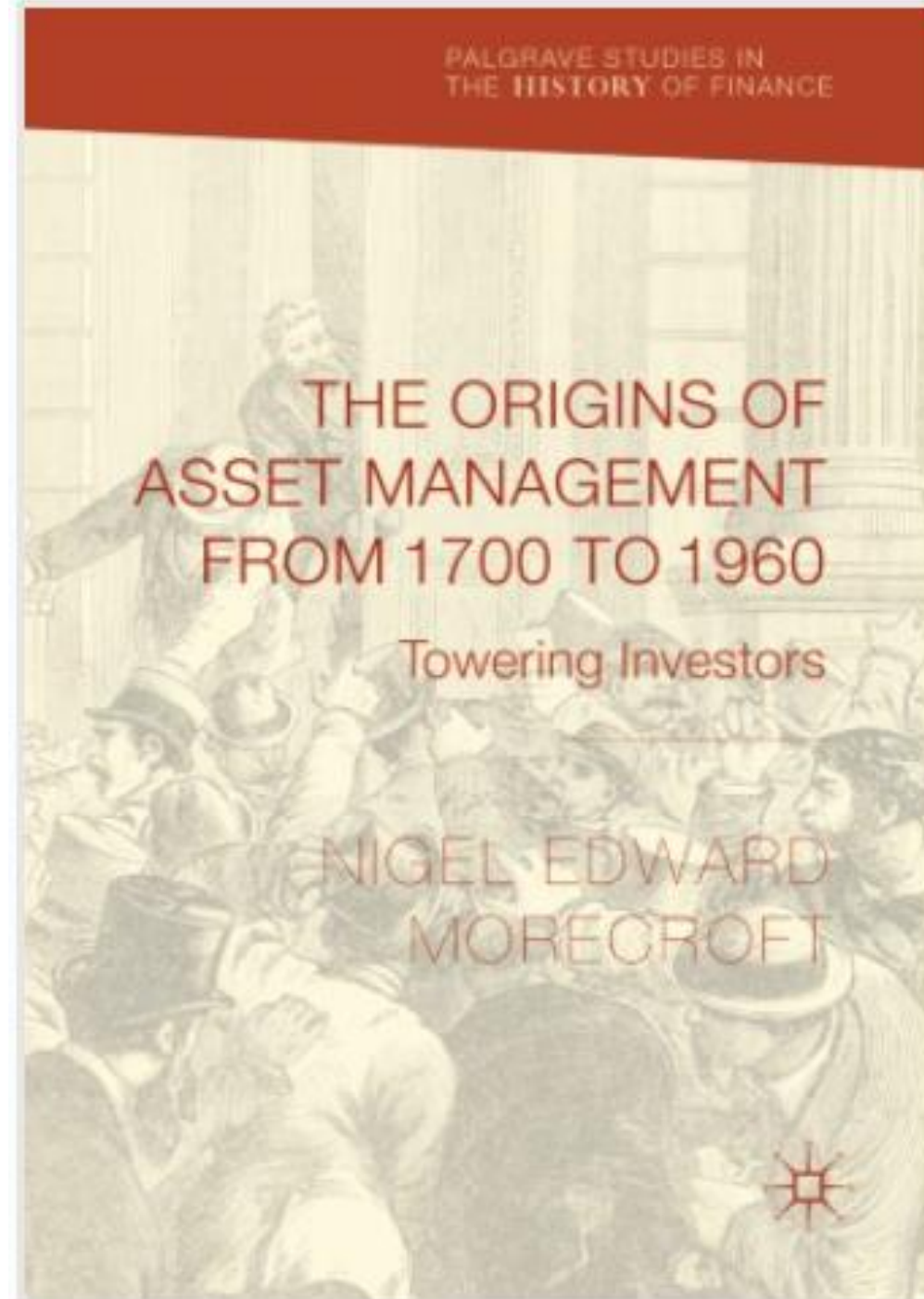
**Shoe store**  
**Selling a product . . . A transaction**



- I spend a fair amount of time with
- **Private equity firms**
  - Venture capitalists
  - Hedge funds
- **Global strategy consulting firms**
  - Bain
  - McKinsey
  - PwC

- History of the travel agency business
- 45 years ago - 1976
  - Paid a travel agent to buy tickets and make reservations
  - And the fee you paid was gigantic
- Today - 2021
  - Tickets and reservations are commodities, the price for getting them is ZERO
  - Never go to a travel agent for tickets/reservations
  - BUT . . . travel agents didn't disappear
  - INSTEAD . . . they reinvented themselves
  - Now you go to a travel agency to . . . custom-tailor an exotic life-experience





- For the high net worth
- Markets and Insurance Company Investments, 1700–1900
  - After 1700, financial markets in Britain developed rapidly in terms of borrowing and saving. Borrowing, underpinned by a stable financial system, was built around the Bank of England and a reliable government bond market, particularly after 1752 with the introduction of a risk-free asset. After the South Sea Bubble crisis, two insurance companies, the Royal Exchange and London Assurance, thrived. Life assurance subsequently developed rapidly with the Equitable, Scottish Widows, Standard Life and actuaries (William Morgan, A.H. Bailey) became increasingly influential. Insurance companies helped money and government bond markets to develop in the eighteenth century and securities markets (corporate debt and international securities) in the nineteenth. They funded developments such as the Bridgewater Canal, Regent Street (retail) and Belgravia (residential). Insurance companies were the first institutional investors.

- For the middleclass
- Philip Rose and the First Investment Company, 1868–1883
- The Foreign and Colonial Government Trust, an investment company (investment trust or closed-end fund), was instrumental in shaping today's asset management profession. Overend Gurney, a bank, failed in 1866 so Foreign & Colonial as a pure investment institution with a long-term horizon offered savers an investment channel that was quite different from the deposit channel. Its pooled fund structure made investment available to a wide spectrum of society so middle-class and lower-middle-class individuals, not just the very wealthy, could access it – it made investing available to the burgeoning middle classes in Victorian Britain. With an unusual embedded lottery feature it retained an element of gambling. It invested globally in high-yield, emerging market junk bonds so was risk-seeking within a diversified portfolio.

- 200 years of history
  - Think . . . Rothschild banks
  - South Sea Company
  - East India Company
- What changed over those 200 years?
- Who served
  - Transition to ever lower wealth levels . . . the client base broadened
- Price charged
  - Slow but continuous decline in price
- Products/services delivered
  - Account minimums
  - Diversification . . tax efficiency . . private investments



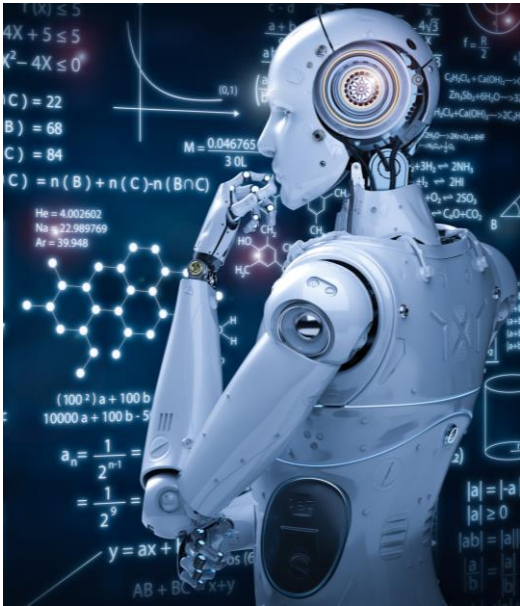
- 99% of the time it was about SPEED
- Once every 50 years . . . it's about DIRECTION
- Our industry's last directional change was defined by
  - Elimination of fixed brokerage commissions in 1975
  - Widespread adoption of commingled vehicles
  - First introduced 1924
  - Universal adoption 1980
    - Mutual funds
    - ETFs
    - Other 40-Act products

- August 2000 . . . the start of “*The Tech Wreck*”
- Wrap mutual fund was the near universal solution
- Some modest use of SMAs, i.e., separate account managers using individuals stocks
- Little to no financial planning
- Client’s paid massive fees/expenses (200-300bps all-in) for an investment portfolio
- The basis points that clients paid for sales/distribution hit a 200-year high

## But now, over the last several years . . . something new

- Four new developments
- Two BIG
  - Artificial intelligence
  - Consumer adoption of and comfort with computer and smart-phone technology
  - In fact . . . they expect it
  - Exponential growth in client demand . . . breadth and depth
- Two small
  - Investment product evolution - cheaper, more transparent, more predictable, more info
  - ETFs . . . and similar
  - Greater access to alternatives
  - Understanding of and desire for fiduciary over B/D
    - **Fiduciary** . . . the doctor's office
    - **B/D Rep** . . . Shoe store salesman

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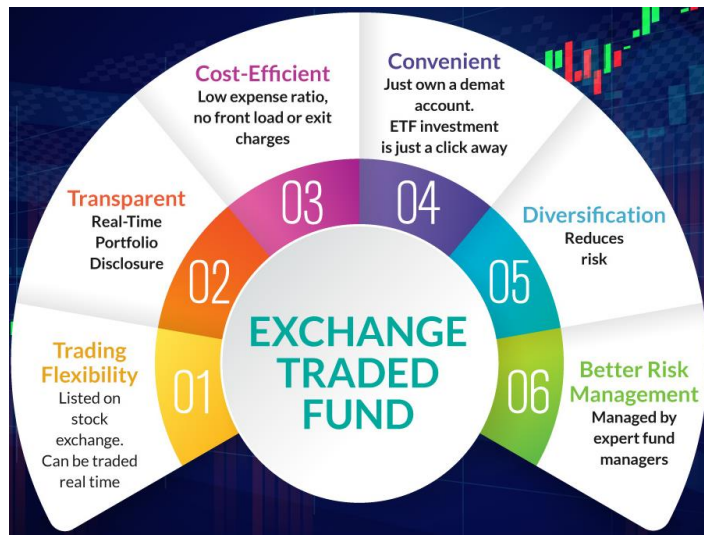
Universal adoption, comfort with, preference for computer/smartphone delivery



Exponential growth in client demand

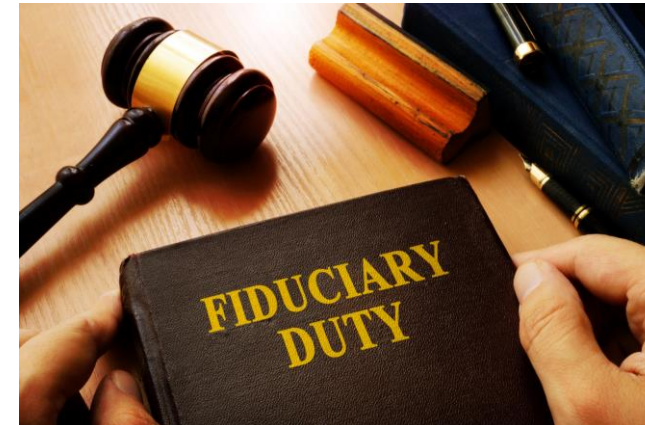
- Number of clients
- \$AUM

Artificial intelligence



Product evolution

- Price
- Transparency
- Diversification
- Predictability
- Access to alternatives



Understanding of and preference for a fiduciary instead of a salesperson

- NOT driving the investment portfolio or solution
- **INSTEAD**
  - What is communicated to client
  - When
  - In what format
- **Artificial intelligence**
  - Is all about setting and maintaining expectations
  - Behavior modification
  - Guiding the client through life's different stages



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**Shockingly similar to what drove  
reinvention of the travel agency industry**

- Two small

- Investment product evolution - cheaper, more transparent, more predictable, more info
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# Let's peer into the future

Once the directional change is complete . . . what will the landscape look like

- **Today**

- 100% gone
- All of it
- Just like the travel agents of 1976
- The dinosaurs didn't evolve . . . they died
- The shoe stores . . . will all be gone

- **Tomorrow**

- Size of the \$AUM to be advised on . . . 3x to 4x as large . . . gigantic growth
- 95% . . . will pay 20bps
- 5% . . . will pay 120bps

## The 95% . . . who are paying 20bps

- Pay less . . . Get more
- Fully automated
- Served by technology, artificial intelligence . . . the future versions of what are today called “*robo advisors*”
- Conversion of the 95% of all clients . . .
  - Away from human advisors . . . over to AI
  - Will be driven in lockstep with transition from one generational cohort to the next
  - In other words . . . you won’t lose the existing “*Baby Boom Generation*” . . . they’re locked in
  - But, every successive generation is problematic . . . to impossible

- Pay what they're paying today
- But get much much more
- Full absolute coverage and integration of anything/everything associated with
  - Investments
  - Banking
  - Risk management
  - Insurance
  - Taxes
  - Legal
  - Accounting
  - Charitable giving
  - Spousal handoff
  - Generational handoff
  - Delivered with flawless handling of the psychological and behavioral aspects



## Why am I bringing this up?

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- Conversations with “the money” . . . venture capitalist and the strategy consultants they hire
- What I’m seeing with my own eyes . . . Goldman, Fidelity, BNP Paribas, DBS Bank
- Understanding of what happened to the travel agent industry
- If you are running a shoe store . . . then you are the dinosaur who died instead of evolving

## My own approach . . . over my professional career

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- Reinvent myself 10% every single year
- Over ten years . . .
- You're 100% brand new . . .
- With nothing carried forward from the past

- Our industry is facing the same reinvention experienced by the travel agent industry
- If true . . . then 10% a year, ain't enough
- Maybe one has to boost that to 14% a year
- Giving yourself seven years to complete a 100% reinvention
- Allowing you to comfortably/optimally transition so as to successfully compete for the 5% who continue to pay 120bps

- The Baby Boom generation is locked and loaded . . . no concerns or worries
- Generation X - 1965/1979
  - They don't need to pay anything for an investment portfolio
  - ZERO is the price they could pay . . . if they're willing to wake up and smell the coffee
  - Some Gen-X will be harvested by the Shoe Store Salesmen . . . most won't
- Xennials - 1975/85 are next
  - Forget it
  - The Shoe Store Salesman has lost this generational cohort

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- For these cohorts
  - Investments are **FREE** if they're willing to look
  - Just like travel tickets
  - So what are you going to offer to establish a relationship with them
  - They won't engage you for a "transaction"



- Baby Boomer Generation 1946-1964

### Locked and unmovable

- They're using the old model and aren't going to change
- They're comfortable paying "100bps" for an investment portfolio and a financial plan document

- Generation X (Baby Bust) 1965-1979
- Xennials 1975-1985

### Transition group

- Clients who will transition from "shoe store" to "doctor's office"
- Those that start with the "shoe store" may transition later to the "doctor's office"

- Millennials Generation Y 1980-1994

### Different expectations different demands

- Won't go near the dinosaurs
- 95% will pay 20bps for an awesome AI-solution
- 5% will pay 120bps for a comprehensive fully integrated professional service spanning all of their needs



## You're always pulled towards

- More shoes
- Pretty shoes
- Stories
- Convincing
- Persuading
- Embellishing
- The next transaction
- What travel agents did back in 1976





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**You're a "promoter"  
of a commodity**





## You're always pulled towards

- Breadth of services offered
- Flawless integration of those services
- Evaluation and assessment
- Understanding and durable confidence
- Long-term needs and relationship
- What travel agents reinvented themselves as



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- Breadth of services offered
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**You're a trusted professional serving  
a integral part of a couple's life**



## The 5% . . . who are paying 120bps

- Pay what they're paying today
- But get much much more
- Full absolute coverage and integration of anything/everything associated with

This one is FREE on a standalone basis

- Investments
- Banking
- Risk management
- Insurance
- Taxes
- Legal
- Accounting
- Charitable giving
- Spousal handoff
- Generational handoff
- Delivered with flawless handling of the psychological and behavioral aspects

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- Pay what they're paying today
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- Full absolute coverage and integration of anything/everything

**These eleven when offered together and flawlessly integrated can easily be priced at 120+ bps**

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- Banking
- Risk management
- Insurance
- Taxes
- Legal
- Accounting
- Charitable giving
- Spousal handoff
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For more information contact



Jeff Megar, CFA  
Email [jeff.megar@julexcapital.com](mailto:jeff.megar@julexcapital.com)  
Office 781-772-1378



Liam Flaherty  
Email [liam.flaherty@julexcapital.com](mailto:liam.flaherty@julexcapital.com)  
Office 781-489-5398

# Investment management for short-term needs, i.e., over the next 0-5 years

Friday the 24<sup>th</sup>

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